

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 EURE-00 SSO-00 SAM-01

AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04

SIL-01 OMB-01 NSCE-00 INRE-00 USIE-00 AGR-05 DODE-00

H-02 INT-05 L-03 NSC-05 PA-01 SS-15 STR-04 TAR-01

PRS-01 FEAE-00 /117 W

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 7411

INFO AMEMBASSY PARIS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, OECD, PO  
SUBJECT: PORTUGUESE IMPORT SURTAX

REF: LISBON 3081

1. AT COUNCIL MEETING JUNE 3 PORTUGUESE AMBASSADOR BELLO ANNOUNCED GOP DECISION TO LEVY IMPORT SURTAX AS REPORTED IN REFTEL, REFERRING TO PORTUGUESE PAYMENTS DEFICIT IN 1974 AND FURTHER DETERIORATION IN LAST FEW MONTHS. HE SAID PORTUGAL COULD NOT ACCEPT SUCH A SITUATION GIVEN ITS NEED TO FINANCE ECONOMIC AND SOCIAL DEVELOPMENT. PORTUGUESE REP SAID HIS MISSION HAD NOTIFIED OECD OF MEASURES AND THAT HIS DEL WAS "AT THE DISPOSAL OF OTHER DELEGATIONS FOR ANY CONSULTATIONS THEY MIGHT WISH TO HAVE ON THIS MATTER."

2. IN SUBSEQUENT DISCUSSION, US REP (KATZ) EXPRESSED HOPE THAT SECRETARY GENERAL, AFTER CONSULTING WITH PORTUGUESE AND OTHER DELS, WOULD PROPOSE AN APPROPRIATE PROCEDURE FOR CONSULTATIONS, TAKING INTO ACCOUNT THE MOTIVATIONS BEHIND THE PORTUGUESE ACTION, WHICH MIGHT INDICATE A NEED FOR A BROADER EXAMINATION RATHER THAN ONE FOCUSED PURELY ON TRADE MEASURES TAKEN. SECRETARIAT ITSELF HAD SUGGESTED TRADE COMMITTEE WORKING PARTY WOULD BE MOST EXPEDITIOUS PLACE TO HOLD CONSULTATIONS. PORTUGUESE REP SAID THAT FOR TIME BEING HE DID NOT WISH TO EXPRESS PREFERENCE FOR PARTICULAR PROCEDURE BUT WOULD DISCUSS WITH THE SECRETARIAT AND OTHER DELEGATIONS.

3. MISSION COMMENT: ALTHOUGH PORTUGAL NO LONGER PARTY TO TRADE PLEDGE, AND HAS RECENTLY ARGUED THAT IT ACCOUNTED FOR VERY INSIGNIFICANT PART OF OECD TRADE (SO THAT ANY MEASURES TAKEN WOULD CAUSE LITTLE DAMAGE TO OTHERS), MISSION BELIEVES MULTILATERAL CONSULTATIONS ON IMPORT SURCHARGE MAKE SENSE IN ORDER TO MAINTAIN CONSISTENCY OF TREATMENT AMONG COUNTRIES TAKING RESTRICTIVE ACTIONS AT THIS TIME AND TO INCREASE UNDERSTANDING OF PORTUGUESE ECONOMIC SITUATION.

4. WE ASSUME THAT DEPARTMENT WOULD WISH CONSULTATIONS LIMITED OFFICIAL USE

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ON PORTUGUESE SITUATION BOTH FOR COMMERCIAL POLICY REASONS AND AS A MEANS OF ENSURING THAT PORTUGAL'S RELATIONSHIP WITH THE OECD REMAINS CLOSE. ALSO ASSUME WE WOULD WISH TO STRUCTURE CONSULTATIONS IN A WAY WHICH WOULD ENSURE THAT PORTUGAL IS NOT TAKEN SEVERELY TO TASK FOR TRADE MEASURES AT THIS TIME. (DEPARTMENT WILL NOTE THAT MIT CONSULTANT GROUP SENT BY OECD TO PORTUGAL IN JANUARY POINTED TO SELECTIVE IMPORT SURTAXES AS POSSIBLY

APPROPRIATE POLICY OPTION FOR PORTUGAL AND RECOMMENDED THAT OTHER OECD GOVERNMENTS "EXCUSE" SUCH MEASURES DURING THIS TRANSITIONAL PERIOD.) ON THE OTHER HAND, A BROAD, CONSTRUCTIVE, AND SYMPATHETIC REVIEW OF THE FACTORS UNDERLYING PORTUGAL'S DECISION TO ADOPT TRADE RESTRICTIVE MEASURES COULD HELP CEMENT PORTUGAL'S RELATIONS WITH OECD COUNTRIES.

5. WE WILL WORK WITH SECRETARIAT AND OTHER DELEGATIONS TO DEVISE A SCENARIO FOR A BROAD-GAUGED LOW LEVEL EXAMINATION OF THE PORTUGUESE ECONOMIC SITUATION. WHILE AN INNOVATIVE CONSULTATION PROCEDURE WILL REQUIRE PORTUGAL'S CONSENT, WE ARE CURRENTLY LEANING TOWARD BACK-TO-BACK MEETINGS OF EDRC AND TRADE COMMITTEE WORKING PARTY AS BEST MEANS OF CARRYING OUT A BROAD, CROSS-DISCIPLINARY REVIEW.  
KATZ

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